

KANNALAND

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2012

KANNALAND MUNICIPALITY

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KANNALAND MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Kannaland Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

CONSOLIDATED FINANCIAL STATEMENTS

The municipality is not required to prepare consolidated financial statements

JURISDICTION

The KANNALAND Municipality includes the following areas:

*Ladismith
Calitzdorp
Vanwyksdorp
Zoar*

MUNICIPAL MANAGER

Mr. MM Hoogbaard

CHIEF FINANCIAL OFFICER

Mr. NB Delo

REGISTERED OFFICE

Church Street
Ladismith
6655

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA, Oudtshoorn
FNB, Ladismith

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Financial Intelligence Centre Act (Act no 28 of 2001)
Supply Chain Management Regulations, 2005

KANNALAND MUNICIPALITY

MEMBERS OF THE KANNALAND MUNICIPALITY

COUNCILLORS

Proportional		PJ Antonie	Deputy Mayor
Proportional		ML Claasen	
Ward	1	J Donson	Mayor
Ward	2	WP Meshoa	
Ward	4	AJ Rossouw	
Ward	3	HD Ruiters	Speaker
Proportional		L Willemse	

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 84 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Mr. MM Hoogbaard
Municipal Manager

Date

KANNALAND MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R (Actual)	2011 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		180 026 252	174 979 707
Accumulated Surplus/(Deficit)		180 026 252	174 979 707
Non-Current Liabilities		18 512 191	24 950 489
Long-term Liabilities	2	9 692 843	17 170 000
Non-Current Employee Benefits	3	6 885 248	6 078 718
Non-Current Provisions	4	1 934 100	1 701 771
Current Liabilities		35 024 908	22 532 354
Consumer Deposits	5	521 835	543 340
Current Employee benefits	6	3 441 857	2 134 993
Provisions	7	2 889 390	2 892 029
Payables	8	22 020 730	11 306 480
Unspent Conditional Government Grants and Receipts	9	4 753 525	5 171 543
Taxes	10.1	-	-
Operating Lease Liability	20.1	15 056	-
Bank Overdraft	21	856 424	-
Current Portion of Long-term Liabilities	2	526 091	483 969
Total Net Assets and Liabilities		233 563 351	222 462 551
ASSETS			
Non-Current Assets		220 859 845	214 382 903
Property, Plant and Equipment	11	215 292 277	209 086 652
Investment Property	12	1 599 059	1 648 435
Intangible Assets	13	308 856	394 467
Capitalised restoration costs	14	88 545	118 842
Investments	15	3 564 511	3 124 341
Long-Term Receivables	16	6 597	10 166
Current Assets		12 703 506	8 079 648
Inventory	17	842 220	741 431
Receivables from exchange transactions	18	4 911 427	3 810 877
Receivables from non-exchange transactions	19	2 802 696	1 013 640
Unpaid Conditional Government Grants and Receipts	9	1 451 198	702 064
Operating Lease Asset	20.2	-	5 500
Current Portion of Long-term Receivables	16	3 525	3 525
Taxes	10.1	1 229 680	337 961
Cash and Cash Equivalents	21	1 462 760	1 464 650
Total Assets		233 563 351	222 462 551

KANNALAND MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R	Correction of error R	2011 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		58 321 416	41 964 709	584 248	41 380 461
Taxation Revenue		8 343 022	7 793 429	-	7 793 429
Property taxes	22	8 343 022	7 793 429	-	7 793 429
Transfer Revenue		48 927 094	32 454 616	172 809	32 281 807
Government Grants and Subsidies - Capital	23	16 293 886	11 466 651		11 466 651
Government Grants and Subsidies - Operating	23	25 650 751	20 987 965	172 809	20 815 156
Public Contributions and Donations		6 982 457	-		-
Other Revenue		1 051 300	1 716 664	411 439	1 305 225
Fines		1 051 300	1 716 664	411 439	1 305 225
Revenue from Exchange Transactions		40 925 406	34 890 750	(1 574 719)	36 465 470
Service Charges	24	35 983 058	32 095 734	(1 574 719)	33 670 454
Rental of Facilities and Equipment		220 089	294 341	-	294 341
Interest Earned - external investments		727 656	641 758	-	641 758
Interest Earned - outstanding debtors		871 652	827 267	-	827 267
Licences and Permits		101 448	162 686	-	162 686
Income for Agency Services		541 245	507 794	-	507 794
Other Income	25	2 111 512	361 170	-	361 170
Property Rates - penalties imposed and collection charges		-	-	-	-
Unamortised Discount - Interest		-	-	-	-
Gain on disposal of Property, Plant and Equipment		36 833	-	-	-
Debt Impairment		331 914	-	-	-
Total Revenue		99 246 822	76 855 459	(990 471)	77 845 931
EXPENDITURE					
Employee related costs	26	29 379 364	24 394 164	65 243	24 328 921
Remuneration of Councillors	27	2 203 693	2 847 555	-	2 847 555
Debt Impairment	28	3 907 545	5 259 153	-	5 259 153
Collection costs		26 022	77 629	-	77 629
Depreciation and Amortisation	29	9 364 077	7 627 894	(638 296)	8 266 190
Impairments	30	586	7 874	(3 268)	11 142
Repairs and Maintenance		1 939 246	4 280 652	2 769 027	1 511 626
Actuarial losses	3	46 136	365 389	(18 238)	383 627
Finance Charges	31	2 862 970	2 692 752	361 320	2 331 432
Bulk Purchases	32	20 378 611	17 916 765	35 239	17 881 526
Contracted Services		1 094 529	659 621	-	659 621
Stock Adjustments		1	-	-	-
Operating Grant Expenditure		9 368 877	4 188 525	(676 502)	4 865 027
General Expenses	33	11 549 158	8 933 039	(3 136)	8 936 176
Loss on Derecognition of Assets	34	2 079 463	183 525	183 525	-
Total Expenditure		94 200 278	79 434 537	2 074 914	77 359 624
NET SURPLUS/(DEFICIT) FOR THE YEAR		5 046 544	(2 579 078)	(3 065 385)	486 307

KANNALAND MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 1 JULY 2010	159 859 451	159 859 451
Correction of error - Note 35.2	16 653 065	16 653 065
Restated Balance at 1 JULY 2010	176 512 516	176 512 516
Correction of error - Note 35.2	1 046 269	1 046 269
Net Deficit for the year	(2 579 078)	(2 579 078)
Restated Balance at 30 JUNE 2011	174 979 707	174 979 707
Net Surplus for the year	5 046 544	5 046 544
Balance at 30 JUNE 2012	180 026 252	180 026 252

KANNALAND MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R (Actual)	2011 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Rates and taxes		6 553 966	7 091 366
Sales of goods and services		31 283 440	24 802 156
Grants and public contributions		47 759 942	28 662 905
Interest received		1 599 308	1 469 025
Other		3 199 645	2 077 834
Payments			
Employees and councillors		(29 469 663)	(25 809 637)
Suppliers		(33 472 214)	(15 794 267)
Finance charges	31	(2 862 970)	(2 692 752)
Other payments		(2 151 622)	(626 543)
Transfers and Grants		-	-
Cash generated by operations	36	22 439 831	19 180 086
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(15 378 192)	(19 944 962)
Purchase of Investment property	12	-	-
Decrease/(Increase) in Non-current Investments	15	(440 170)	(374 903)
Purchase of Intangible Assets	13	(26 812)	(196 633)
Decrease/(Increase) in Long-term receivables	16	3 569	3 259
Net Cash from Investing Activities		(15 841 605)	(20 513 239)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(7 435 035)	(471 376)
Increase in Consumer Deposits		(21 506)	22 489
Net Cash from Financing Activities		(7 456 541)	(448 887)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(858 314)	(1 782 040)
Cash and Cash Equivalents at the beginning of the year		1 464 650	3 246 690
Cash and Cash Equivalents at the end of the year	37	606 336	1 464 650
NET INCREASE IN CASH AND CASH EQUIVALENTS		(858 314)	(1 782 040)

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GRAP 18 (Original – Feb 2011)	Segment Reporting <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.</p>	Unknown
GRAP 24 (Original – Nov 2007)	Presentation of Budget Information in Financial Statements <p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	1 April 2012
GRAP 103 (Original – July 2008)	Heritage Assets <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	1 April 2012
GRAP 105 (Original – Nov 2010)	Transfer of Functions Between Entities Under Common Control <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GRAP 106 (Original – Nov 2010)	Transfer of Functions Between Entities Not Under Common Control The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107 (Original – Nov 2010)	Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
IGRAP 12	Jointly Controlled Entities non-monetary contributions The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.8.2 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit).

1.8.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment are offset by transfers from this Reserve to the accumulated surplus/(deficit).

1.8.4 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.8.5 Non-Current Provisions Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions

1.8.6 Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions, a transfer is made from accumulated surplus/(deficit) to the Public Contributions Reserve equal to the Public Contribution recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Public Contributions Reserve to accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment are offset by transfers from this Reserve to the accumulated surplus/(deficit).

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.8.7 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.8.8 Valuations Reserve

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation.

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.10.1 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10.2 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.11 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS AND CONTINGENT LIABILITY OR ASSET

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..

1.13. EMPLOYEE BENEFITS

(a) *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is a defined benefit plan and is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) *Ex gratia Gratuities*

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) *Provision for Staff Leave*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) *Staff Bonuses Accrued*

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) *Provision for Performance Bonuses*

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(g) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(h) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. . Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

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1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Stormwater and Roads	3-114	Computer Equipment	1-12
Electricity	10-57	Emergency equipment	2-6
Water	6-59	Furniture & Fittings	1-18
Refuse	15-34	Motor vehicles	1-18
Sewerage	10-113	Office Equipment	1-14
Fencing	25	Plant and equipment	1-18
		Other	6
<u>Community</u>		<u>Land and Buildings</u>	
Recreation Grounds	15-69	Buildings	5-480
Civic Building	30		
Swimming Pools	9-72		
Libraries	30		
Parks and gardens	30		
Cemetery	30		
<u>Finance lease assets</u>			
Office equipment	4		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of a impairment is recognised in the Statement of Financial Performance.

1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3-19

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	25-30

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. NON-CURRENT ASSETS HELD FOR SALE**1.18.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the **weighted average method**.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3 **De-recognition of Financial Instruments**

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.23. REVENUE

1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.29. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation and Impairment Losses						Carrying Value	
	Opening Balance R	Additions R	Under construction R	Derecognition R	Transfers	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairments R	Derecognition R	Transfers	Closing Balance R	R
Land and Buildings	11 173 923	-		-167 070	-	11 006 853	826 876	213 459	-	-21 531	-	1 018 804	9 988 049
Land	4 236 722	-		-8 000		4 228 722	-	-				-	4 228 722
Buildings	6 937 201	-		-159 070		6 778 131	826 876	213 459		-21 531		1 018 804	5 759 327
Infrastructure	262 632 795	3 464 162	13 516 206	-2 163 973		277 449 190	83 573 571	6 005 801	-	-392 737		89 186 635	188 262 555
Stormwater and Roads	58 875 261	2 620 285	447 379	-		61 942 925	22 532 832	1 764 784	-			24 297 616	37 645 309
Sewerage	64 852 713		2 811 463	-		67 664 176	21 207 947	2 005 584	-			23 213 531	44 450 645
Electricity	59 462 533	810 999		-1 965 298		58 308 234	14 806 963	1 010 881	-	-319 147		15 498 697	42 809 537
Refuse	74 340					74 340	11 841	3 295				15 136	59 204
Water	78 366 583	32 878	10 257 364	-198 675		88 458 150	24 877 206	1 183 563		-73 590		25 987 179	62 470 971
Fencing	1 001 365					1 001 365	136 782	37 694				174 476	826 889
Under construction						-	-		-			-	-
Community Assets	16 239 336	77 544		-		16 316 880	2 140 584	603 358	-			2 743 942	13 572 938
Recreation Grounds	5 502 470	-		-		5 502 470	570 621	161 393	-			732 014	4 770 456
Civic Buildings	4 061 977	-				4 061 977	476 321	128 410				604 731	3 457 246
Libraries	1 328 331	77 544				1 405 875	156 180	42 649				198 829	1 207 046
Parks and Gardens	77 500	-				77 500	4 840	2 602				7 442	70 058
Swimming Pools	5 242 035	-				5 242 035	929 445	267 450				1 196 895	4 045 140
Cemetery	27 023	-		-		27 023	3 177	854	-			4 031	22 992
Lease Assets	111 424	-		-		111 424	22 614	44 527	-			67 141	44 283
Office Equipment	111 424	-		-		111 424	22 614	44 527	-			67 141	44 283
Heritage Assets	-	-		-		-	-	-	-			-	-
Buildings	-	-		-		-	-	-	-			-	-
Other Assets	8 458 721	469 346		-495 906		8 432 161	2 965 902	2 305 422	-	-263 615		5 007 709	3 424 452
Computer equipment	1 242 824	201 021		-197 947		1 245 898	469 584	388 302	-	-100 504		757 382	488 516
Emergency equipment	28 252			-5 238		23 014	12 097	7 348	-	-2 993		16 452	6 562
Furniture & Fittings	1 168 547	206 239		-158 385		1 216 401	462 908	347 389	-	-88 482		721 815	494 586
Motor vehicles	4 064 519					4 064 519	1 231 157	1 060 207	-			2 291 364	1 773 155
Office Equipment	746 544	60 340		-65 945		740 939	289 036	207 142	-	-31 599		464 579	276 360
Other	588					588	252	169	-			421	167
Plant and equipment	1 207 447	1 746		-68 391		1 140 802	500 868	294 865	-	-40 037		755 696	385 106
	298 616 199	4 011 052		-2 826 949	-	313 316 508	89 529 547	9 172 567	-	-677 883	-	98 024 231	215 292 277

KANNALAND MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost					Accumulated Depreciation and Impairment Losses						Carrying Value	
	Opening Balance R	Additions R	Under construction R	Disposals R	Transfers	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairments R	Disposals R	Transfers	Closing Balance R	R
Land and Buildings	11 173 923	-		-		11 173 923	627 981	198 895	-			826 876	10 347 047
Land	4 236 722	-				4 236 722	-	-	-			-	4 236 722
Buildings	6 937 201	-				6 937 201	627 981	198 895	-			826 876	6 110 325
Infrastructure	256 499 855	2 756 702	3 376 238	-		262 632 795	77 944 897	5 628 674	-			83 573 571	179 059 224
Stormwater and Roads	53 858 135	2 003 517	3 013 609	-		58 875 261	20 984 381	1 548 451	-			22 532 832	36 342 429
Sewerage	64 179 528	673 185		-		64 852 713	19 232 503	1 975 444	-			21 207 947	43 644 766
Electricity	59 099 904		362 629	-		59 462 533	13 853 021	953 942	-			14 806 963	44 655 570
Refuse	74 340			-		74 340	8 881	2 960	-			11 841	62 499
Water	78 286 583	80 000		-		78 366 583	23 763 889	1 113 317	-			24 877 206	53 489 377
Fencing	1 001 365			-		1 001 365	102 222	34 560	-			136 782	864 583
Community Assets	15 990 363	248 973		-		16 239 336	1 604 229	536 355	-			2 140 584	14 098 752
Recreation Grounds	5 264 297	238 173				5 502 470	427 966	142 655	-			570 621	4 931 849
Civic Buildings	4 051 177	10 800				4 061 977	357 241	119 080	-			476 321	3 585 656
Libraries	1 328 331					1 328 331	117 135	39 045	-			156 180	1 172 151
Parks and Gardens	77 500					77 500	2 420	2 420	-			4 840	72 660
Swimming Pools	5 242 035					5 242 035	697 084	232 361	-			929 445	4 312 590
Cemetery	27 023					27 023	2 383	794	-			3 177	23 846
Lease Assets	111 424	-		-		111 424	426	22 188	-			22 614	88 810
Office Equipment	111 424	-		-		111 424	426	22 188	-			22 614	88 810
Other Assets	8 810 739	85 118		-437 135		8 458 721	2 121 430	1 098 083	-	-253 611		2 965 902	5 492 819
Computer equipment	1 254 636	19 633		-31 445		1 242 824	290 499	192 268		-13 183		469 584	773 240
Emergency equipment	29 113	-		-861		28 252	8 307	4 159		-369		12 097	16 155
Furniture & Fittings	1 340 680	7 508		-179 641		1 168 547	351 175	197 110		-85 377		462 908	705 639
Motor vehicles	4 085 396	-		-20 877		4 064 519	795 600	447 974		-12 417		1 231 157	2 833 362
Office Equipment	745 833	57 977		-57 266		746 544	215 417	108 724		-35 105		289 036	457 508
Other	588	-		-		588	168	84				252	336
Plant and equipment	1 354 492			-147 045		1 207 447	460 264	147 764		-107 160		500 868	706 579
	292 586 304	3 090 793		-437 135		298 616 199	82 298 963	7 484 195	-	-253 611	-	89 529 547	209 086 652

2

LONG-TERM LIABILITIES

	2012 R	2011 R
Annuity Loans - At amortised cost	10 144 531	17 511 798
Capitalised Lease Liability - At amortised cost	74 403	142 171
	10 218 934	17 653 969
Current Portion transferred to Current Liabilities	(526 091)	(483 969)
Annuity Loans - At amortised cost	(471 425)	(416 201)
Capitalised Lease Liability - At amortised cost	(54 666)	(67 768)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	9 692 843	17 170 000

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

	Minimum lease payments	
Payable within one year	68 729	91 765
Payable within two to five years	22 910	91 639
	91 639	183 404
Less: Future finance charges obligations	(17 236)	(41 233)
Present value of lease obligations	74 403	142 171

Leases are secured by property, plant and equipment - Note 11

The annuity loans are partly secured by an investment - Note 15

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

<u>Supplier</u>	<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
Technofin	Photocopier	11%	0%	60 months	2013/10/31

3

NON-CURRENT EMPLOYEE BENEFITS

Post Retirement Health Care Benefits	5 920 783	5 314 646
Long Service Awards	964 465	764 072
Total Non-current Employee Benefit Liabilities	6 885 248	6 078 718

Post Retirement Health Care Benefits

Balance 1 July	5 535 782	4 749 866
Current service cost	320 719	220 829
Interest Cost	464 476	408 914
Contributions (benefits paid)	(225 487)	(204 881)
Actuarial Loss/(Gain)	81 085	361 054

Total Post Retirement Health Care Benefits 30 June

	6 176 575	5 535 782
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Less: Transfer of Current Portion - Note 6**Balance 30 June**

	5 920 783	5 314 646
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Long Service Awards

Balance 1 July	882 381	775 065
Current service cost	132 896	93 954
Interest Cost	64 349	60 528
Benefit Vesting	(45 840)	(51 501)
Actuarial Loss/(Gain)	41 871	4 335

Total long service 30 June

	1 075 657	882 381
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Less: Transfer of Current Portion - Note 6**Balance 30 June**

	964 465	764 072
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TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	6 418 163	5 524 931
Current service cost	453 615	314 783
Interest cost	528 825	469 442
Benefits paid / vested	(271 327)	(256 382)
Actuarial Loss/(Gain)	122 956	365 389

Total employee benefits 30 June

	7 252 232	6 418 163
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Less: Transfer of Current Portion - Note 6**Balance 30 June**

	6 885 248	6 078 718
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3	EMPLOYEE BENEFITS (CONTINUE)	2012 R	2011 R
3.1	Post Retirement Health Care Benefits		
	The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	52	52
	In-service (employee) non-members	48	72
	Continuation members (e.g. Retirees, widows, orphans)	11	10
	Total Members	111	134
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	2 651 618	2 344 671
	Continuation members	3 524 957	3 191 111
	Total Liability	6 176 575	5 535 782
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
	Hosmed		
	LA Health		
	Key Health, and		
	SAMWU Medical Aid		
	The Current-service Cost for the ensuing year is estimated to be R320 729, whereas the Interest Cost for the next year is estimated to be R464,476 .		
3.1	Post Retirement Health Care Benefits	2012 %	2011 %
	Key actuarial assumptions used:		
	i) Rate of interest		
	Discount rate	7.74%	8.56%
	Health Care Cost Inflation Rate	6.91%	7.30%
	Net Effective Discount Rate	0.77%	1.18%
	ii) Mortality rates		
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
	iii) Normal retirement age		
	It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.		
	The amounts recognised in the Statement of Financial Position are as follows:		
	Present value of fund obligations	5 920 783	5 314 646
	Net liability/(asset)	5 920 783	5 314 646
	The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).		
	Reconciliation of present value of fund obligation:		
	Present value of fund obligation at the beginning of the year	5 535 782	4 749 866
	Total expenses	559 708	424 862
	Current service cost	320 719	220 829
	Interest Cost	464 476	408 914
	Benefits Paid	(225 487)	(204 881)
	Actuarial (gains)/losses	81 085	361 054
	Present value of fund obligation at the end of the year	6 176 575	5 535 782
	Less: Transfer of Current Portion - Note 6	(255 792)	(221 136)
	Balance 30 June	5 920 783	5 314 646

3 EMPLOYEE BENEFITS (CONTINUE)**3.1 Post Retirement Health Care Benefits****Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	2.652	3.525	6.177	

The effect of movements in the assumptions is as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	3.248	3.802	7.05	14%
Health care inflation	-1%	2.181	3.294	5.475	-11%
Post-retirement mortality	-1 year	2.766	3.662	6.428	4%
Average retirement age	-1 year	2.974	3.525	6.499	5%
Withdrawal Rate	-50%	2.982	3.525	6.507	5%

3.2 Retirement funds

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes.

Both the Cape Joint Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. GRAP25.31 state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality was not supplied with information on the Municipality's share of the Pension and Retirement Funds' assets by the fund administrator.

Combined plans (including both defined benefit and defined contribution members)**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 98.10% (30 June 2010 - 100%).

CAPE JOINT RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 116.9% (30 June 2010 - 100.3%).

Defined contribution plans

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	2012 R	2011 R
Contributions paid recognised in the Statement of Financial Performance	2 237 506	2 081 172

3	EMPLOYEE BENEFITS (CONTINUE)	2012 R	2011 R
3.3	Long Service Awards		
	Reconciliation of present value of fund obligation:		
	Present value of fund obligation at the beginning of the year	882 381	775 065
	Total expenses	151 405	86 550
	Current service cost	132 896	93 954
	Interest Cost	64 349	60 528
	Benefit Vesting	(45 840)	(67 932)
	Actuarial (gains)/losses	41 871	20 766
	Present value of fund obligation at the end of the year	1 075 657	882 381
	Less: Transfer of Current Portion - Note 7	(111 192)	(118 309)
	Balance 30 June	964 465	764 072

Sensitivity Analysis on the Accrued Liability

	2012 %	2011 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	6.44%	7.81%
General Salary Inflation	5.96%	6.27%
Net Effective Discount Rate	0.45%	1.44%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central Assumption		132 896	64 349	197 245	
General Salary Inflation	1.00%	141 372	69 142	210 514	7.00%
General Salary Inflation	-1.00%	125 451	60 037	185 488	-6.00%
Post-retirement mortality	-2 years	127 860	59 605	187 465	-5.00%
Average retirement age	+2 years	140 541	69 614	210 155	7.00%
Withdrawal Rate	-50.0%	165 006	76 786	241 792	23.00%

4	NON-CURRENT PROVISIONS		
	Provision for Rehabilitation of Landfill-sites	1 934 100	1 701 771
	Total Non-current Provisions	1 934 100	1 701 771

Provision is made for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and projected at an annual inflation rate of 6% and discounted to present value at the return on investments of 6.42%; hence the difference. The payment dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2012.

Landfill Sites

Balance 1 July	4 593 800	4 371 056
Balance previously Reported	-	4 316 481
Correction of Error		54 575
Contribution for the year	229 690	222 744
Balance previously Reported	-	277 319
Correction of Error	-	(54 575)
Total provision 30 June	4 823 490	4 593 800
Current Portion - Refer note	(2 889 390)	(2 892 029)
Balance 30 June	1 934 100	1 701 771

Location	Site Dimensions	Estimated decommission date	Cost or Rehabilitation 2012	Cost or Rehabilitation 2011
Ladismith	9 000m ²	2015	1 046 325	996 500
Calitzdorp	20 000m ²	2007	1 422 750	1 355 000
Zoar	20 000m ²	2015	887 775	845 500
Van Wyksdorp	10 000m ²	2008	1 466 640	1 396 800
			4 823 490	4 593 800

	2012 R	2011 R
5 CONSUMER DEPOSITS		
Electricity and Water	521 835	543 345
Total Consumer Deposits	521 835	543 345
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amounts.

6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Health Care Benefits - Note 3	366 984	339 445
Staff Leave	2 461 996	1 266 940
Bonuses	612 877	528 608
Total Current Employee Benefits	3 441 857	2 134 993

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	1 266 940	785 783
Contribution to current portion	1 514 664	481 157
Leave payments made	(319 608)	
Balance at end of year	2 461 996	1 266 940

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Bonuses

Balance at beginning of year	528 608	470 915
Contribution to current portion	84 268	57 693
Balance at end of year	612 876	528 608

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

7 PROVISIONS		
Current Portion of Rehabilitation of Landfill-sites - Note 4	2 889 390	2 892 029
Total Provisions	2 889 390	2 892 029

8 PAYABLES		
Trade Payables	15 301 513	5 432 225
Sundry Creditors	5 316 632	4 412 279
Payments received in advance <i>Receivables from exchange transactions</i>	900 709	999 171
Payments received in advance <i>Receivables from non-exchange transactions</i>	75 965	
Retentions	305 384	374 670
Sundry Deposits	120 527	88 135
SETA	-	-
Total Trade Payables	22 020 730	11 306 480

Payables are being recognised net of any discounts.

Payables should be paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include library deposits.

		2012 R	2011 R
9	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	4 753 525	5 171 543
	National Government Grants	2 577 449	3 495 463
	Provincial Government Grants	1 759 780	1 118 971
	District Municipality	152 272	293 085
	Other Grant Providers	264 024	264 024
	Less: Unpaid Grants	1 451 198	702 064
	National Government Grants	1 422 839	702 064
	Provincial Government Grants	28 359	-
	District Municipality	-	-
	Other Grant Providers	-	-
	Total Conditional Grants and Receipts	3 302 327	4 469 479
	See appendix "B" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
10	TAXES		
10.1	VAT PAYABLE		
	VAT Payable	-	-
	VAT output in suspense	4 834 726	573 745
	Total Vat payable	4 834 726	573 745
10.2	VAT RECEIVABLE		
	VAT Refundable	13 531	90 178
	VAT input in suspense	6 050 875	821 528
	Total VAT receivable	6 064 406	911 706
10.3	NET VAT RECEIVABLE/(PAYABLE)	1 229 680	337 961

VAT is receivable/payable on the cash basis.

11 **PROPERTY, PLANT AND EQUIPMENT**

See attached sheet

12 INVESTMENT PROPERTY**Net Carrying amount at 1 July**

Cost

Accumulated Depreciation

Depreciation for the year

Net Carrying amount at 30 June

Cost

Accumulated Depreciation

**2012
R****2011
R****1 648 435****1 694 328**1 831 704
(183 269)1 831 704
(137 376)

(49 376)

(45 893)

1 599 059**1 648 435**1 831 704
(232 645)1 831 704
(183 269)**13 INTANGIBLE ASSETS****Computer Software****Net Carrying amount at 1 July**

Cost

Accumulated Amortisation

Additions

Amortisation

Disposals

Net Carrying amount at 30 June

Cost

Accumulated Amortisation

394 467**422 188**585 267
(190 800)546 862
(124 674)

28 483

38 405

(112 423)

(66 126)

(1 671)

308 856**394 467**610 870
(302 014)585 267
(190 800)

The following material intangible assets are included in the carrying value above

Description
Software - Microsoft Office and otherRemaining Amortisation
Period
Refer to accounting policy

Carrying Value	
2012	2011
R	R
308 856	394 467

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

14 CAPITALISED RESTORATION COST**Net Carrying amount at 1 July**

Cost

Accumulated Depreciation

Balance previously reported
Correction of Error

Accumulated Impairments

Correction of Error

Depreciation for the year

Balance previously reported
Correction of Error

Impairment

Balance previously reported
Correction of Error**R****R****118 842****161 824**1 273 227
(1 143 083)1 273 227
(1 111 403)

-

(1 196 707)
85 304

(11 302)

(3 428)

(11 302)

(3 428)

-

(29 711)

(31 680)

-

(36 547)
4 867

(586)

(7 874)

-

(11 142)
3 268**88 545****118 842**1 273 227
(1 172 794)
(11 888)1 273 227
(1 143 083)
(11 302)**Net Carrying amount at 30 June**

Cost

Accumulated Depreciation

Accumulated Impairment

15	NON-CURRENT INVESTMENTS	2012 R	2011 R
	Fixed Deposits	3 564 511	3 124 341
	Total Non-Current Investments	3 564 511	3 124 341
	Fixed Deposits are investments with a maturity period of more than 12 months and earn interest of 13.46 % per annum.		
	Investments to the value of R3 564 511 are pledged as security for long term liability - Refer to note 2		
	Fixed deposits consist out of the following accounts		
	RMB FIXED DEPOSIT	3 564 511	3 124 341
		3 564 511	3 124 341
	Included in Non-Current investments are balances ring-fenced for the following specific purposes		
	Repayment of long term liabilities	3 564 511	3 124 341
		3 564 511	3 124 341
16	LONG-TERM RECEIVABLES		
	Golf Club	10 122	13 691
		10 122	13 691
	Less: Current portion transferred to current receivables	(3 525)	(3 525)
	Golf Club	(3 525)	(3 525)
	Total Non Current Long Term Receivables	6 597	10 166
17	INVENTORY		
	Consumable Stores - General	842 220	741 431
	Electricity Consumables	-	319 829
	Correction of error	-	(319 829)
	Total Inventory	842 220	741 431
18	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	3 030 333	2 232 046
	Water	4 284 115	2 852 961
	Refuse	12 376 937	10 885 532
	Sewerage	14 809 908	13 179 421
	Housing	521 633	535 357
	Other	5 479 608	5 205 892
	Total Receivables from Exchange Transactions	40 502 534	34 891 209
	Less: Allowance for Doubtful Debts	(35 591 107)	(31 080 332)
	Total Net Receivables from Exchange Transactions	4 911 427	3 810 877
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary		
	Ageing of Receivables from Exchange Transactions:		
	(Electricity): Ageing		
	Current (0 - 30 days)	2 120 356	1 561 786
	31 - 60 Days	104 305	76 828
	61 - 90 Days	32 874	24 214
	+ 90 Days	772 798	569 218
	Total	3 030 333	2 232 046

	2012 R	2011 R
RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)		
<u>(Water): Ageing</u>		
Current (0 - 30 days)	497 436	331 262
31 - 60 Days	141 029	93 917
61 - 90 Days	109 672	73 035
+ 90 Days	3 535 979	2 354 748
Total	4 284 115	2 852 961
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	233 881	205 699
31 - 60 Days	164 323	144 522
61 - 90 Days	158 564	139 457
+ 90 Days	11 820 169	10 395 854
Total	12 376 937	10 885 532
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	280 716	249 811
31 - 60 Days	186 756	166 195
61 - 90 Days	175 216	155 925
+ 90 Days	14 167 220	12 607 490
Total	14 809 908	13 179 421
<u>(Housing): Ageing</u>		
Current (0 - 30 days)	2 361	2 423
31 - 60 Days	2 140	2 196
61 - 90 Days	2 120	2 175
+ 90 Days	515 013	528 563
Total	521 633	535 357
<u>(Other): Ageing</u>		
Current (0 - 30 days)	325 582	309 319
31 - 60 Days	134 623	127 898
61 - 90 Days	72 664	69 034
+ 90 Days	4 946 739	4 699 641
Total	5 479 608	5 205 892
<u>(Total): Ageing</u>		
Current (0 - 30 days)	3 460 332	2 660 300
31 - 60 Days	733 176	611 556
61 - 90 Days	551 109	463 841
+ 90 Days	35 757 918	31 155 512
Total	40 502 534	34 891 209
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	31 080 332	26 651 572
Contribution to provision/(Reversal of provision)	3 907 545	3 944 365
Movement in provision for output VAT	603 230	484 396
Balance at end of year	35 591 107	31 080 332

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

19 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2012 R	2011 R
Rates	12 429 673	11 155 134
Other Receivables	846 090	663 487
Fuel Deposits	-	-
Eskom Deposits	17 481	17 481
Other	828 609	646 006
Total Receivables from Non-Exchange Transactions	13 275 763	11 818 621
Less: Allowance for Doubtful Debts	(10 473 067)	(10 804 981)
Total Net Receivables from Non-Exchange Transactions	2 802 696	1 013 640

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	506 223	454 315
31 - 60 Days	196 637	176 474
61 - 90 Days	167 705	150 508
+ 90 Days	11 559 108	10 373 837
Total	12 429 673	11 155 134

Reconciliation of Provision for Bad Debts

Balance at beginning of year	10 804 981	9 490 193
Contribution to provision/(Reversal of provision)	(331 914)	1 314 788
Balance at end of year	10 473 067	10 804 981

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

20 OPERATING LEASE ARRANGEMENTS**20.1 The Municipality as Lessee (Liability)**

	2012 R	2011 R
Balance on 1 July	-	-
Movement during the year	15 056	-
Balance on 30 June	15 056	-

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	147 375	-
1 to 5 Years	183 150	-
More than 5 Years	-	-
Total Operating Lease Arrangements	330 525	-

The lease is in respect of municipal offices. The lease agreement is for 36 months, with an escalation of 10%. The contract has an option to renew or to purchase.

The municipality also has operating leases for office equipment. The original period of the contracts have expired and the machines are rented on a month to month basis

	2012 R	2011 R
20.2 The Municipality as Lessor (Asset)		
Balance on 1 July	5 500	12 288
Movement during the year	(5 500)	(6 788)
Balance on 30 June	-	5 500

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Minimum rental payments

Up to 1 Year	-	16 083
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	-	16 083

The municipality leases out properties on a short-term basis without fixed contracts

21 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	1 459 460	59 250
Bank Accounts	-	1 402 250
Cash on Hand	3 300	3 150
Total Cash and Cash Equivalents - Assets	1 462 760	1 464 650

Liabilities

Primary Bank Account	(856 424)	-
Total Cash and Cash Equivalents - Liabilities	(856 424)	-

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts

Oudtshoorn ABSA Bank - Account Number 11-2000-0019 (Primary Bank Account):	(856 424)	1 402 250
Ladismith FNB Bank - Account Number 621-6355-4580 (Traffic Account):	-	-
	(856 424)	1 402 250

Oudtshoorn ABSA Bank - Account Number 11-2000-0019 (Primary Bank Account):

Cash book balance at beginning of year	1 402 250	1 050 386
Cash book balance at end of year	(856 424)	1 402 250

Bank statement balance at beginning of year	752 244	154 384
Bank statement balance at end of year	404 754	752 244

Ladismith FNB Bank - Account Number 527-8273-0231 (Primary Bank Account):

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-

Both Primary Bank Accounts are represented by one control account in the General Ledger.(See above)

Bank statement balance at beginning of year	236 518	386 362
Bank statement balance at end of year	450 562	236 518

Ladismith FNB Bank - Account Number 621-6355-4580 (Traffic Account):

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	(111 643)

Bank statement balance at beginning of year	474 333	386 382
Bank statement balance at end of year	4 217	474 333

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Oudtshoorn ABSA Bank - Account Number 91-1717-7062 (Call Account):
Ladismith FNB Bank - Account Number 621-3204-2988 (Money Market Account):

2012 R	2011 R
1 449 211	20 000
10 249	39 250
<u>1 459 460</u>	<u>59 250</u>

A guarantee of R20000 in favour of the Department of Minerals and Energy is held by Absa Bank
A limited cession of ABSA investment number 9117177062 for R20000 to cover guarantee.

22

PROPERTY TAXES**Actual****Rateable Land and Buildings**

Residential, Commercial Property, State

Less: Rebates

Total Assessment Rates

16 623 796	15 526 288
<u>16 623 796</u>	<u>15 526 288</u>
<u>(8 280 774)</u>	<u>(7 732 859)</u>
<u>8 343 022</u>	<u>7 793 429</u>

Valuations - 1 JULY 2009**Rateable Land and Buildings**

Calitzdorp: Land and Buildings
Ladismith: Land and Buildings
Vanwyksdorp: Land and Buildings
Rural: Land and Buildings
Zoar: Land and Buildings

223 783 340	223 074 340
386 127 000	386 100 000
27 010 000	26 595 000
829 265 100	836 227 100
<u>55 478 000</u>	<u>55 211 000</u>
<u>1 521 663 440</u>	<u>1 527 207 440</u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.
The following Rebates were applied: 30% of for pensioners, 75% of for agricultural and residential properties with
R 40 000 value or less are exempt.

Rates:

Ladismith Urban Area
Calitzdorp Urban Area
Vanwyksdorp Urban Area
Zoar urban Area
Business, Commercial and Industrial
Rural Area

c/R	c/R
0.009438	0.0089
0.009438	0.0089
0.009438	0.0089
0.009438	0.0089
0.018876	0.0178
0.009438	0.0089

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

23	GOVERNMENT GRANTS AND SUBSIDIES	2012 R	2011 R
	Unconditional Grants	16 840 000	15 563 185
	Equitable Share	16 840 000	15 563 185
	Conditional Grants	25 104 637	16 831 642
	Grants and donations	25 104 637	16 831 642
	Total Government Grants and Subsidies	41 944 637	32 394 827
	Government Grants and Subsidies - Capital	16 293 886	11 466 651
	Government Grants and Subsidies - Operating	25 650 751	20 928 176
		41 944 637	32 394 827

The municipality does not expect any significant changes to the level of grants.

23.1 Equitable share

Opening balance	-	-
Grants received	16 840 000	15 563 185
Conditions met - Operating	(16 840 000)	(15 563 185)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

23.2 Local Government Financial Management Grant

Opening balance	8 727	-
Grants received	1 250 000	1 000 000
Conditions met - Operating	(1 273 191)	(991 273)
Conditions still to be met	(14 464)	8 727

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

23.3 Municipal Systems Improvement Grant

Opening balance	(2 802)	-
Grants received	1 720 000	1 600 000
Conditions met - Operating	(1 994 427)	(1 602 802)
Conditions still to be met	(277 229)	(2 802)

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

23.4 Municipal Infrastructure Grant

Opening balance	(699 262)	908 782
Grants received	9 494 000	3 878 000
Conditions met - Operating	(583 765)	(1 316 665)
Conditions met - Capital	(8 489 529)	(4 169 379)
Grant expenditure to be recovered	(278 556)	(699 262)

The grant was used to upgrade infrastructure in previously disadvantaged areas.

23.5 Housing

Opening balance	2 087	2 087
Grants received	6 984 435	-
Conditions met - Operating	(6 984 435)	-
Conditions met - Capital	-	-
Written-off / Transfers	-	-
Grant expenditure to be recovered	2 087	2 087

Housing grants was utilised for the development of erven and the erection of top structures.

23.6 DME Side Demand Management Meters	2012 R	2011 R
Opening balance	2 842 837	2 448 012
Grants received	-	6 000 000
Conditions met - Operating	(73 252)	-
Conditions met - Capital	(159 545)	(5 605 175)
Conditions still to be met	<u>2 610 040</u>	<u>2 842 837</u>

The National Electrification Grant was used for energy efficiency to reduce electricity demand

23.7 Other Grants		
Opening balance	2 317 892	4 746 040
Grants received	4 555 000	718 200
Conditions met - Operating	(4 886 116)	(1 454 251)
Conditions met - Capital	(654 764)	(1 692 097)
Written-off / Transfers		-
VAT on grants recognised	(33 359)	-
Conditions still to be met	<u>1 298 653</u>	<u>2 317 892</u>

Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)

23.8 Total Grants		
Opening balance	4 469 479	8 104 921
Grants received	40 843 435	28 759 385
Conditions met - Operating	(25 650 751)	(20 928 176)
Conditions met - Capital	(16 293 886)	(11 466 651)
Written-off / Transfers		-
VAT on grants recognised	(65 950)	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>3 302 327</u>	<u>4 469 479</u>

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	4 753 525	5 171 543
Unpaid Conditional Government Grants and Receipts	(1 451 198)	(702 064)
	<u>3 302 327</u>	<u>4 469 479</u>

24 SERVICE CHARGES

Electricity	24 613 523	22 105 165
Water	5 288 094	4 085 851
Refuse removal	4 184 444	3 914 630
Sewerage and Sanitation Charges	4 419 439	4 243 751
	<u>38 505 500</u>	<u>34 349 397</u>
Less: Rebates	(2 522 442)	(2 253 663)
Total Service Charges	<u>35 983 058</u>	<u>32 095 734</u>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25	OTHER INCOME	2012 R	2011 R
	Advertising	1 100	12 516
	Building Plans	48 819	56 679
	Cemetery Fees	21 498	28 540
	Circuit breaker charges	2 219	6 956
	Clearance fees	18 123	18 085
	Contribution Electricity	-	23 021
	Enchrachment Fees	1 436	-
	Insurance Claims	761 386	-
	Library Grant	956 000	-
	Other	4 133	2 322
	Photocopies	4 593	3 159
	Refrigeration	4 899	5 285
	Swimming pool fees	16 513	15 592
	Subdivision and Resoning	22 158	10 806
	Telephone recoveries	48 181	166 993
	Tender Document Fees	6 250	-
	Training Contribution	120 122	-
	Valuation Certificates	8 132	11 216
	VAT Recognition Grants	65 950	-
	Total Other Income	2 111 512	361 170

26	EMPLOYEE RELATED COSTS		
	Bargaining Council Levy	7 635	8 689
	Bonus	1 240 074	1 022 822
	Contributions for UIF, pensions and medical aids	3 691 781	3 330 680
	Housing Benefits and Allowances	95 218	87 259
	Provision for Leave	1 514 663	701 227
	Overtime	906 960	799 313
	Post Employment Health	259 108	7 169
	Salaries and Wages	18 933 093	16 626 402
	Travel, motor car, telephone, assistance and other allowances	2 730 832	1 810 603
		29 379 364	24 394 164
	Less: Employee Costs allocated elsewhere	-	-
	Total Employee Related Costs	29 379 364	24 394 164

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year fixed contract and all other Directors are permanent or acting. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	801 990	1 034 618
Performance Bonus	-	-
Other Allowances	11 600	140 949
Travelling Allowance	177 177	3 000
Subsistence Allowance	15 134	-
Total	1 005 901	1 178 567

Remuneration of the Head Financial Services

Annual Remuneration	847 868	928 540
Performance Bonus	-	-
Other Allowances	10 000	2 250
Travelling Allowance	80 900	-
Subsistence Allowance	4 834	-
Total	943 602	930 790

	2012 R	2011 R
Remuneration of the Director Community Services		
Annual Remuneration	-	292 155
Other Allowances	-	750
Car Allowance	-	24 000
Total	-	316 905
Remuneration of the Director Technical Services		
Annual Remuneration	160 384	661 934
Car Allowance	16 799	77 352
Total	177 183	739 286
Remuneration of the Head Corporate Services		
Annual Remuneration	662 902	-
Performance Bonus	-	-
Other Allowances	10 024	-
Travelling Allowance	155 576	-
Subsistence Allowance	13 851	-
Total	842 352	-
27 REMUNERATION OF COUNCILLORS		
Mayor	545 685	504 452
Deputy Mayor	436 531	412 536
Speaker	466 531	385 854
Councillors	654 780	1 186 861
Councillors' Allowances	100 166	357 853
Total Councillors' Remuneration	2 203 693	2 847 555
In-kind Benefits		
The Mayor and Speaker are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Mayor may utilise official Council transportation when engaged in official duties.		
28 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 18	3 907 545	3 944 365
Trade Receivables from non-exchange transactions - Note 19	(331 914)	1 314 788
Total Contribution to Debt Impairment	3 575 631	5 259 153
29 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	9 172 567	7 484 195
Investment Property	49 376	45 893
Capitalised restoration costs	29 711	31 680
Intangible Assets	112 423	66 126
	9 364 077	7 627 894
30 IMPAIRMENTS		
Capitalised restoration costs	586	7 874
	586	7 874
31 FINANCE CHARGES		
Long-term Liabilities	1 325 188	1 466 852
Payables from exchange transactions	1 008 957	756 458
Long service awards	64 349	60 528
Post Employment Health	464 476	408 914
Total finance charges	2 862 970	2 692 752
32 BULK PURCHASES		
Electricity	19 755 226	17 651 743
Water	623 385	265 022
Total Bulk Purchases	20 378 611	17 916 765

33

GENERAL EXPENSES

	2012 R	2011 R
Advertisement	196 641	125 139
Audit Fees	1 270 533	1 200 589
Bank Charges	148 649	125 869
Books, Magazines & Publication	7 212	10 795
Cash Shortages	-	-
Chemicals	270 139	378 976
Cleaning	50 819	63 982
Collaborator Licence	14 605	-
Commission - Vendors	194 959	133 221
Consultancy	15 000	72 982
Computer software licenses	67 988	175 491
Deeds registration fees	39 327	33 522
Delegation cost	-	25 988
Discretionary fund	229 714	153 971
Donations / upliftment	94 099	241 243
Employee Recruitment Expense	34 438	8 230
Entertainment	61 721	75 041
Fruitless and wasteful expenditure	736	19 129
Fuel and Oil	822 323	919 295
Insurance	298 642	240 710
Lease Payments	395 838	256 442
Legal Expenses	1 135 260	916 912
Local Economic Development	153 341	20 750
Licences	107 136	33 191
Landfill-sites	229 690	2 640
Material & Stores	10 248	49 214
Medical Expenses	17 340	45 603
Other	133 637	48 352
Pauper Burials	9 390	13 217
Postage	342 766	340 421
Printing and Stationary	287 739	259 593
Programs: NCR	301 442	78 644
Refreshments	24 046	35 681
Refuse Bags	121 569	121 332
SDBIP Expenses	-	-
Special projects: Youth	114 471	79 334
Strategic Sessions	1 700 430	44 151
Street lighting: Eskom	94 100	62 663
Study loans and bursaries	107 714	139 969
Subdivision costs	16 595	-
Subscriptions	488 802	235 280
Substance Abuse Study	175 439	-
Telephone	804 672	1 038 083
Test of Samples	27 500	37 200
Test Station Service	-	-
Toolbox Items	-	496
Tourism and other events	177 200	283 496
Training	55 015	86 619
Training Expenses	-	-
Travelling and Subsistence	694 343	635 998
Uniforms	5 890	63 585
Internal Charges	-	1 177 397
Internal Recoveries	-	(1 177 397)
General Expenses	11 549 158	8 933 039

		2012 R	2011 R
34	Loss on Derecognition of Assets		
	Loose assets not found during asset count		
	Cost	122 352	437 135
	Accumulated depreciation	(64 778)	(253 611)
	Proceeds of disposal		
	Net loss	<u>57 574</u>	<u>183 524</u>
	Infrastructure assets not found during asset count		
	Cost	2 163 972	-
	Accumulated depreciation	(392 737)	-
	Proceeds of disposal		
	Net loss	<u>1 771 235</u>	<u>-</u>
	Assets destroyed in fire at supply chain office		
	Cost	463 502	-
	Accumulated depreciation	(212 849)	-
	Proceeds of disposal		
	Net loss	<u>250 653</u>	<u>-</u>
	As per GRAP 17 the insurance claim received for the loss is shown under income		
	Total	2 079 463	183 524
35	CORRECTION OF ERROR / RECLASSIFICATION / CHANGE IN ACCOUNTING POLICY		
35.1	Detailed narratives of correction of error		
	<u>Correct debtors accounts with correct readings for previous year</u>		
	Consumers were charged with estimated readings in previous years and were corrected in current year		
	Correcting transaction	Debit	Credit
	Service Charges	57 170	-
	Receivables from exchange transactions	-	57 170
	<u>Bulk Electricity usage for June 2011</u>		
	The bulk electricity usage for one customer was only posted in July 2011		
	Correcting transaction	Debit	Credit
	Service Charges	-	166 899
	Receivables from exchange transactions	166 899	-
	<u>Correction CDW Grant</u>		
	Expenses were posted to normal expense votes and not claimed against the CDW grant		
	The revenue was not recognised in prior years		
	Correcting transaction	Debit	Credit
	Government Grants and Subsidies	-	113 021
	Accumulated Surplus/(Deficit)	-	244 116
	Unspent Conditional Government Grants and Receipts	357 137	-
	<u>Unused prepaid electricity</u>		
	The provision for unused prepaid electricity was posted to inventory and not payables		
	Correcting transaction	Debit	Credit
	Service Charges	35 239	-
	Inventory	-	35 239
	Bulk purchases	35 239	-
	Payables	-	35 239

Electricity consumables transferred

The electrical consumable store was combined with water consumable store to create one general store

Correcting transaction	Debit	Credit
Inventory	-	284 590
Accumulated Surplus/(Deficit)	284 590	-

Adjustment to landfill provision

Due to an incorrect estimation of the estimated life times of the landfill sites an adjustment was made

Correcting transaction	Debit	Credit
Non-Current Provisions	-	-
Accumulated Surplus/(Deficit)	54 575	-
Capitalised restoration costs	93 439	-
Depreciation and Amortisation	-	90 171
Impairments	-	3 268
Finance Charges	-	54 575

Adjustment to short-term portion of landfill provision

Some of the landfill sites have reached the end of their usefull lives and have been transferred to short term

Correcting transaction	Debit	Credit
Non-Current Provisions	2 892 029	-
Provisions	-	2 892 029

Actuarial report adjustments

There was a small change between the draft and final report of the actuaries

Correcting transaction	Debit	Credit
Employee related costs	18 238	-
Actuarial losses	-	18 238

Vat not claimed

Input VAT was not claimed on certain transactions

Correcting transaction	Debit	Credit
Taxes	8 407	-
General Expenses	-	3 136
Repairs and maintenance	-	5 271

Penalty and interest on late payment of VAT

The municipality made certain VAT payment late

Correcting transaction	Debit	Credit
Taxes	-	47 658
Finance Charges	47 658	-

Sewerage raised at wrong tariffs

Sewerage for businesses were raised on residential tariffs

Correcting transaction	Debit	Credit
Service Charges	-	44 340
Accumulated Surplus/(Deficit)	-	70 452
Receivables from exchange transactions	114 792	-

Estimate of traffic fines

Estimate of traffic fines outstanding at 30 June 2011 that will be paid

Correcting transaction	Debit	Credit
Fines	-	398 583
Receivables from non-exchange transactions	398 583	-

Output VAT raised on traffic fines

Output VAT was incorrectly raised on traffic fines

Correcting transaction	Debit	Credit
Fines	-	12 856
Taxes	12 856	-

Grant expenditure incorrectly capitalised

Fees paid for an awareness campaign was incorrectly capitalised

Correcting transaction	Debit	Credit
Property, Plant and Equipment	-	59 400
Operating Grant Expenditure	59 400	-

Impairment on land used for housing project

Land was used for housing project and municipality only own remainder

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	2 999 000	-
Property, Plant and Equipment	-	2 999 000

Service charges raised in wrong period

Services charges relating to the 2010 financial year were raised in the 2011 financial year

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	-	1 768 752
Service Charges	1 768 752	-

Grant expenditure not recoverable

Expenditure incurred on grant not recoverable from grant provider expensed

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	87 850	-
Unpaid Conditional Government Grants and Receipts	-	87 850

Land incorrectly included in asset register

Land not owned by the municipality incorrectly included in the asset register

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	17 000	-
Property, Plant and Equipment	-	17 000

Grant expenditure expensed on old grants

Expenses written off on old grants without reporting requirements

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	800 472	-
Unspent Conditional Government Grants and Receipts	-	800 472

Grant income recognised on old grants

Income recognised on old grants without reporting requirements

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	-	800 472
Unspent Conditional Government Grants and Receipts	800 472	-

Fines and penalties on PAYE,SDL and UIF

Fines and penalties on late payment of PAYE, SDL and UIF

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	251 198	-
Finance Charges	368 238	-
Payables	-	619 435

Incorrect Charges for Sewerage

Incorrect charges levied for sewerage

Correcting transaction	Debit	Credit
Service Charges	2 062	-
Receivables from exchange transactions	-	2 062

Tariff correction in wrong period

Customer were charged wrong tariff in 2010 financial year, corrected in 2011 financial year

Correcting transaction	Debit	Credit
Service Charges	-	95 649
Accumulated Surplus/(Deficit)	95 649	-

Correction of VAT on Impairment of Trade Receivables

There was no provision made for VAT on long outstanding debtors.

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	-	3 044 579
Taxes	3 528 975	-
Debt Impairment	-	484 396

Provision for bad debts on output vat for 2010 and 2011 duplicated

The prior correction for output VAT provision on bad debts included both 2010 and 2011 which was corrected in 2011 financial statements

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	434 806	-
Taxes	-	919 201
Debt Impairment	484 396	-

Property not in name of municipality removed

During the comparison of the deed search with the land and buildings as per fixed asset register, property in the fixed asset register was found that was not in the name of the municipality

Correcting transaction

Accumulated Surplus/(Deficit)	705 600	-
Property, Plant and Equipment	-	705 600

Property not previously recognised

During the comparison of the deed search with the land and buildings as per fixed asset register property in the fixed asset register was found on the deed search in the name of the municipality that was not on the asset register

Correcting transaction

Accumulated Surplus/(Deficit)	-	597 000
Property, Plant and Equipment	597 000	-

Loose assets not previously recognised

Loose assets were found during the asset count that was previously not recognised

Correcting transaction

Accumulated Surplus/(Deficit)	-	87 809
Property, Plant and Equipment	87 809	-

Demand side project moved to repairs and maintenance

Due to inability to determine the accurate cost of the project the assets were expensed

Correcting transaction

Accumulated Surplus/(Deficit)	1 361 393	-
Property, Plant and Equipment	-	4 135 691
Repairs and maintenance	2 774 298	-

Demand side creditor reversed

A creditor that was unpaid as at 30 June 2012 and raised a credit note for invoices issued during the 2010/2011 year was reversed

Correcting transaction

Property, Plant and Equipment	2 127 518	-
Payables	-	2 127 518

Impairment should have been written off

Assets missing from the asset count was impaired in 2011. The assets should have been derecognised

Correcting transaction

Loss on Derecognition of Assets	183 525	-
Property, Plant and Equipment	-	183 525

Depreciation recalculated

Due to errors noted during audit, the entire depreciation for current and prior years were recalculated

Correcting transaction

Accumulated Surplus/(Deficit)		18 805 120
Property, Plant and Equipment	19 470 310	-
Investment Property	-	183 269
Intangible Assets	188 055	-
Depreciation and Amortisation	-	548 125

Correction on service charges adjusted in wrong period

Corrections on debtors accounts made in the 2012 year should have been made in the 2011 year

Correcting transaction

Service Charges	18 384	
Receivables from exchange transactions	-	18 384

Payments in advance included in age analysis not in general ledger

Difference between general ledger payments in advance and age analysis

Correcting transaction

Payables	-	309 675
Receivables from exchange transactions	309 675	-

Payments posted on cash book not actually paid

Payments showing on cash book as paid, but actual payment only made after year end

Correcting transaction

Payables	-	499 944
Cash and Cash Equivalents	499 944	-

Investment property incorrectly classified

Investment property incorrectly shown as property plant and equipment

Correcting transaction

Property, Plant and Equipment	-	1 161 195
Investment Property	1 161 195	-

	Type	2011 R	2010 R
35.2 <u>Accumulated Surplus/(Deficit)</u>			
Balance as per previous financial statements		160 345 758	159 859 453
Correction CDW Grant	Correction of error	244 116	244 116
Electricity consumables transferred	Correction of error	(284 590)	(284 590)
Adjustment to landfill provision	Correction of error	(54 575)	(54 575)
Impairment on land used for housing project	Correction of error	(2 999 000)	(2 999 000)
Service charges raised in wrong period	Correction of error	1 768 752	-
Sewerage raised at wrong tariffs	Correction of error	70 452	70 452
Grant expenditure not recoverable	Correction of error	(87 850)	(87 850)
Land incorrectly included in asset register	Correction of error	(17 000)	(17 000)
Grant expenditure expensed on old grants	Correction of error	(800 472)	(800 472)
Grant income recognised on old grants	Correction of error	800 472	800 472
Fines and penalties on PAYE,SDL and UIF	Correction of error	(251 198)	(251 198)
Tariff correction in wrong period	Correction of error	(95 649)	-
Correction of allocation between grant income and expenses	Correction of error	(748 685)	-
Correction of VAT on Impairment of Trade Receivables	Correction of error	3 044 579	3 044 579
Provision for bad debts on output vat for 2010 and 2011 duplicated	Correction of error	(434 806)	(434 806)
Property not in name of municipality removed	Correction of error	(705 600)	(705 600)
Loose assets not previously recognised	Correction of error	87 809	87 809
Property not previously recognised	Correction of error	597 000	597 000
Demand side project moved to repairs and maintenance	Correction of error	(1 361 393)	(1 361 393)
Depreciation recalculated	Correction of error	18 805 120	18 805 120
Depreciation recalculated	Correction of error	121 851	-
Movement in statement of financial performance	Correction of error	(3 065 386)	-
Restated balance		174 979 707	176 512 518
35.3 <u>Non-Current Provisions</u>			
Balance as per previous financial statements		4 593 800	4 316 481
Adjustment to landfill provision	Correction of error	(54 575)	(54 575)
Adjustment to landfill provision	Correction of error	54 575	-
Adjustment to short-term portion of landfill provision	Correction of error	(2 892 029)	-
Restated balance		1 701 771	4 261 906
35.4 <u>Provisions</u>			
Balance as per previous financial statements		-	-
Adjustment to short-term portion of landfill provision	Correction of error	2 892 029	-
Restated balance		2 892 029	-
35.5 <u>Payables</u>			
Balance as per previous financial statements		11 832 814	9 596 752
Unused prepaid electricity	Correction of error	35 239	-
Demand side creditor reversed	Correction of error	(2 127 518)	-
Fines and penalties on PAYE,SDL and UIF	Correction of error	251 198	251 198
Fines and penalties on PAYE,SDL and UIF	Correction of error	368 238	-
Payments in advance included in age analysis not in general ledger	Correction of error	309 675	-
Payments posted on cash book not actually paid	Correction of error	499 944	-
Ladsmith Traffic Bank Account transferred to payables	Reclassification	111 643	-
Sundry debtors shown as payables	Reclassification	25 252	-
Restated balance		11 306 484	9 847 950
35.6 <u>Unspent Conditional Government Grants and Receipts</u>			
Balance as per previous financial statements		5 528 678	8 767 563
Correction CDW Grant	Correction of error	(244 116)	(244 116)
Correction CDW Grant	Correction of error	(113 021)	-
Grant expenditure expensed on old grants	Correction of error	800 472	800 472
Grant income recognised on old grants	Correction of error	(800 472)	(800 472)
Restated balance		5 171 541	8 523 447

		2011 R	2010 R
35.7	<u>Taxes</u>		
	Balance as per previous financial statements	2 245 418	1 866 122
	Penalty and interest on late payment of VAT		
	VAT not claimed	Correction of error 47 658	-
	Output VAT raised on traffic fines	Correction of error (8 407)	-
	Correction of VAT on Impairment of Trade Receivables	Correction of error (12 856)	-
	Correction of VAT on Impairment of Trade Receivables	Correction of error (3 044 579)	(3 044 579)
	Provision for bad debts on output vat for 2010 and 2011 duplicated	Correction of error (484 396)	-
	Provision for bad debts on output vat for 2010 and 2011 duplicated	Correction of error 434 806	434 806
		Correction of error 484 396	-
	Restated balance	<u>(337 961)</u>	<u>(743 652)</u>
35.8	<u>Property, Plant and Equipment</u>		
	Balance as per previous financial statements	200 324 066	197 737 711
	Grant expenditure incorrectly capitalised	Correction of error (59 400)	-
	Impairment on land used for housing project	Correction of error (2 999 000)	(2 999 000)
	Land incorrectly included in asset register	Correction of error (17 000)	(17 000)
	Property not in name of municipality removed	Correction of error (705 600)	(705 600)
	Loose assets not previously recognised	Correction of error 87 809	87 809
	Property not previously recognised	Correction of error 597 000	597 000
	Demand side project moved to repairs and maintenance	Correction of error (1 361 393)	(1 361 393)
	Demand side project moved to repairs and maintenance	Correction of error (2 774 298)	-
	Demand side creditor reversed	Correction of error (2 127 518)	-
	Investment property incorrectly classified	Correction of error (1 161 195)	(1 161 195)
	Impairment should have been written off	Correction of error (183 525)	-
	Depreciation recalculated	Correction of error 18 785 167	18 785 167
	Depreciation recalculated	Correction of error 685 143	-
	Restated balance	<u>209 090 256</u>	<u>210 963 498</u>
35.9	<u>Investment Property</u>	R	R
	Balance as per previous financial statements	666 905	667 806
	Investment property incorrectly classified	Correction of error 1 161 195	1 161 195
	Depreciation recalculated	Correction of error (138 277)	(138 277)
	Depreciation recalculated	Correction of error (44 992)	-
	Restated balance	<u>1 644 831</u>	<u>1 690 724</u>
35.10	<u>Intangible Assets</u>		
	Balance as per previous financial statements	206 415	263 960
	Depreciation recalculated	Correction of error 158 230	158 230
	Depreciation recalculated	Correction of error 29 824	-
	Restated balance	<u>394 470</u>	<u>422 190</u>
35.11	<u>Capitalised restoration costs</u>		
	Balance as per previous financial statements	25 403	73 092
	Adjustment to landfill provision	Correction of error 93 439	-
	Restated balance	<u>118 842</u>	<u>73 092</u>
35.12	<u>Inventory</u>		
	Balance as per previous financial statements	1 061 260	1 239 385
	Unused prepaid electricity	Correction of error (35 239)	-
	Electricity consumables transferred	Correction of error (284 590)	(284 590)
	Restated balance	<u>741 431</u>	<u>954 795</u>

		2011 R	2010 R
35.13	<u>Receivables from exchange transactions</u>		
	Balance as per previous financial statements	3 297 127	3 008 926
	Correct debtors accounts with correct readings for previous year	Correction of error (57 170)	-
	Bulk Electricity usage for June 2011	Correction of error 166 899	-
	Sewerage raised at wrong tariffs	Correction of error 44 340	-
	Sewerage raised at wrong tariffs	Correction of error 70 452	70 452
	Incorrect Charges for Sewerage	Correction of error (2 062)	-
	Payments in advance included in age analysis not in general ledger	Correction of error 309 675	-
	Correction on service charges adjusted in wrong period	Correction of error (18 384)	-
	Restated balance	<u>3 810 877</u>	<u>3 079 378</u>
35.14	<u>Receivables from non-exchange transactions</u>		
	Balance as per previous financial statements	589 805	311 577
	Sundry debtors shown as payables	Reclassification 25 252	-
	Estimate of traffic fines	Correction of error 398 583	-
	Restated balance	<u>1 013 640</u>	<u>311 577</u>
35.14	<u>Cash and Cash Equivalents</u>		
	Balance as per previous financial statements	853 063	3 246 690
	Payments posted on cash book not actually paid	Correction of error 499 944	-
	Ladismith Traffic bank account transferred to paybles	Reclassification 111 643	-
	Restated balance	<u>1 464 650</u>	<u>3 246 690</u>
35.15	<u>Unpaid Conditional Government Grants and Receipts</u>		
	Balance as per previous financial statements	789 914	506 373
	Grant expenditure not recoverable	Correction of error (87 850)	(87 850)
	Restated balance	<u>702 064</u>	<u>418 523</u>
	<u>Statement of financial performance</u>		
35.16	<u>Service Charges</u>	2011 R	
	Balance as per previous financial statements	33 670 454	
	Correct debtors accounts with correct readings for previous year	Correction of error (57 170)	
	Bulk Electricity usage for June 2011	Correction of error 166 899	
	Unused prepaid electricity	Correction of error (35 239)	
	Sewerage raised at wrong tariffs	Correction of error 44 340	
	Service charges raised in wrong period	Correction of error (1 768 752)	
	Incorrect Charges for Sewerage	Correction of error (2 062)	
	Tariff correction in wrong period	Correction of error 95 649	
	Correction on service charges adjusted in wrong period	Correction of error (18 384)	
	Restated balance	<u>32 095 735</u>	
35.17	<u>Government Grants and Subsidies - Operating</u>		
	Balance as per previous financial statements	20 815 156	
	Correction CDW Grant	Correction of error 113 021	
	Correction of allocation between grant income and expenses	Correction of error 59 788	
	Restated balance	<u>20 987 965</u>	
35.18	<u>Fines</u>		
	Balance as per previous financial statements	1 305 225	
	Estimate of traffic fines	Correction of error 398 583	
	Output VAT raised on traffic fines	Correction of error 12 856	
	Restated balance	<u>1 716 664</u>	

		2011 R
35.19 <u>Employee related costs</u>		
Balance as per previous financial statements		24 328 921
Provision for staff leave included in operating grant expenditure	Reclassification	47 005
Actuarial report adjustments	Correction of error	18 238
Restated balance		<u>24 394 164</u>
35.20 <u>Debt Impairment</u>		
Balance as per previous financial statements		5 259 153
Correction of VAT on Impairment of Trade Receivables	Correction of error	(484 396)
Provision for bad debts on output vat for 2010 and 2011 duplicated	Correction of error	484 396
Restated balance		<u>5 259 153</u>
35.21 <u>Depreciation and Amortisation</u>		
Balance as per previous financial statements		8 266 190
Incorrect classification depreciation / grant expenditure	Correction of error	-
Depreciation recalculated	Correction of error	(548 125)
Adjustment to landfill provision	Correction of error	(90 171)
Restated balance		<u>7 627 894</u>
35.22 <u>Impairments</u>		
Balance as per previous financial statements		11 142
Adjustment to landfill provision	Correction of error	(3 268)
Restated balance		<u>7 874</u>
35.23 <u>Repairs and maintenance</u>		
Balance as per previous financial statements		1 511 626
VAT not claimed	Correction of error	(5 271)
Demand side project moved to repairs and maintenance	Correction of error	2 774 298
Provision for staff leave included in operating grant expenditure		
Restated balance		<u>4 280 653</u>
35.24 <u>Actuarial losses</u>		
Balance as per previous financial statements		383 627
Actuarial report adjustments	Correction of error	(18 238)
Restated balance		<u>365 389</u>
35.25 <u>Finance Charges</u>		
Balance as per previous financial statements		2 331 432
Adjustment to landfill provision	Correction of error	(54 575)
Penalty and interest on late payment of VAT	Correction of error	47 658
Fines and penalties on PAYE,SDL and UIF	Correction of error	368 238
Restated balance		<u>2 692 752</u>
35.26 <u>Operating Grant Expenditure</u>		
Balance as per previous financial statements		4 865 027
Correction of allocation between grant income and expenses	Correction of error	(688 897)
Incorrect classification depreciation / grant expenditure	Correction of error	-
Grant expenditure incorrectly capitalised	Correction of error	59 400
Provision for staff leave included in operating grant expenditure	Reclassification	(47 005)
Restated balance		<u>4 188 525</u>

35.27	<u>General Expenses</u>	2011	
		R	
	Balance as per previous financial statements	8 936 176	
	VAT not claimed	Correction of error	(3 136)
	Restated balance		<u>8 933 040</u>

35.28	<u>Bulk Purchases</u>		
	Balance as per previous financial statements	17 881 526	
	Unused prepaid electricity	Correction of error	35 239
	Restated balance		<u>17 916 765</u>

35.29	<u>Loss on Derecognition of Assets</u>		
	Balance as per previous financial statements	-	
	Impairment should have been written off	Correction of error	183 525
	Restated balance		<u>183 525</u>

36	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2012	2011
		R	R
	Surplus/(Deficit) for the year	5 046 544	(2 579 078)
	<u>Adjustments for:</u>		
	Movement in accumulated surplus due to correction of error	-	17 699 334
	Depreciation	9 251 654	7 561 768
	Amortisation of Intangible Assets	112 423	66 126
	Debt Impairment	3 907 545	5 259 153
	Contribution from/to employee benefits	2 113 394	1 432 082
	Impairment written off	586	7 874
	Operating lease income accrued	5 500	6 788
	Operating lease expenses accrued	15 056	-
	Operating Surplus/(Deficit) before changes in working capital	20 452 702	29 454 047
	Changes in working capital	1 987 129	(10 273 960)
	Increase/(Decrease) in Trade and Other Payables	10 714 250	1 709 728
	Increase/(Decrease) in Provisions	229 690	277 319
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(418 018)	(3 596 020)
	Increase/(Decrease) in Taxes	(891 719)	(2 204 083)
	(Increase)/Decrease in Inventory	(100 789)	497 954
	(Increase)/Decrease in Trade and other receivables	(6 797 151)	(6 763 167)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(749 134)	(195 691)
	Cash generated/(absorbed) by operations	22 439 831	19 180 087

37 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 21	1 459 460	59 250
Cash Floats - Note 21	3 300	3 150
Bank - Note 21	-	1 402 250
Bank overdraft - Note 21	(856 424)	-
Total cash and cash equivalents	606 336	1 464 650

38	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES	2012	2011
		R	R
	Cash and Cash Equivalents - Note 37	606 336	1 464 650
	Investments - Note 15	3 564 511	3 124 341
		<hr/>	<hr/>
		4 170 847	4 588 991
	Less:	4 753 525	5 171 543
	Unspent Committed Conditional Grants - Note 9	4 753 525	5 171 543
	VAT - Note 10	-	-
		<hr/>	<hr/>
	Resources available for working capital requirements	(582 678)	(582 552)
	Allocated to:		
	Repayment of long-term liabilities	-	-
		<hr/>	<hr/>
	Resources available for working capital requirements	(582 678)	(582 552)
		<hr/>	<hr/>
39	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION	2012	2011
		R	R
	Long-term Liabilities - Note 2	10 218 934	17 653 969
	Used to finance property, plant and equipment - at cost	(10 218 934)	(17 653 969)
		<hr/>	<hr/>
		-	-
	Cash set aside for the repayment of long-term liabilities	3 564 511	3 124 341
		<hr/>	<hr/>
	Cash invested for repayment of long-term liabilities	3 564 511	3 124 341
		<hr/>	<hr/>
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		
40	BUDGET COMPARISONS	2012	2012
		R	R
40.1	Operational	(Actual)	(Budget)
		(Variance)	(%)
	Revenue by source		
	Property taxes	8 343 022	8 353 470
	Government Grants and Subsidies - Capital	16 293 886	16 293 886
	Government Grants and Subsidies - Operating	25 650 751	24 327 644
	Public Contributions and Donations	6 982 457	-
	Fines	1 051 300	672 610
	Service Charges	35 983 058	34 125 020
	Rental of Facilities and Equipment	220 089	222 270
	Interest Earned - external investments	727 656	243 360
	Interest Earned - outstanding debtors	871 652	500 000
	Licences and Permits	101 448	116 660
	Income for Agency Services	541 245	191 530
	Other Income	2 111 512	2 295 240
	Debt Impairment	331 914	-
	Gain on disposal of Property, Plant and Equipment	36 833	108 110
		<hr/>	<hr/>
		99 246 822	87 449 800
			11 797 022
			13.49%
	Expenditure by nature		
	Employee Related Costs	29 379 364	25 539 790
	Collection costs	26 022	39 630
	Remuneration of Councillors	2 203 693	2 299 310
	Debt Impairment	3 907 545	3 446 760
	Depreciation and Amortisation	9 364 077	8 414 420
	Impairments	586	-
	Repairs and Maintenance	1 939 246	4 261 940
	Actuarial losses	46 136	-
	Stock Adjustments	1	-
	Finance Charges	2 862 970	1 325 410
	Unamortised Discount - Interest Paid	-	-
	Bulk Purchases	20 378 611	16 790 620
	Contracted Services	1 094 529	4 150 090
	Operating Grant Expenditure	9 368 877	-
	General Expenses	11 549 158	12 447 210
	Loss on disposal of Property, Plant and Equipment	2 079 463	-
	Fair Value Adjustments	-	-
		<hr/>	<hr/>
		94 200 278	78 715 180
			(15 485 098)
			19.67%
	Net Surplus for the year	5 046 544	8 734 620
		<hr/>	<hr/>
			(3 688 076)
			-42.22%

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
40.2 Operational Budget by Standard Classification				
Revenue - Standard				
Governance and Administration				
Executive and council	18 614 566	7 639 600	(10 974 966)	143.66%
Budget and Treasury Office	1 689 325	3 354 780	1 665 455	-49.64%
Corporate Services	17 739 341	12 106 310	(5 633 031)	46.53%
Community and Public Safety				
Community and Social Services	1 472 727	11 816 790	10 344 063	-87.54%
Sport and Recreation	16 513	15 000	(1 513)	10.09%
Public Safety	1 691 531	979 340	(712 191)	72.72%
Housing	-	-	-	0.00%
Health	-	-	-	0.00%
Economic and Environmental Services				
Planning and Development	815 998	-	(815 998)	-100.00%
Road Transport	-	37 000	37 000	-100.00%
Environmental Protection	-	-	-	0.00%
Trading Services				
Electricity	30 657 705	32 553 800	1 896 095	-5.82%
Water	10 736 802	6 607 430	(4 129 372)	62.50%
Waste Water Management	9 885 671	6 341 870	(3 543 801)	55.88%
Waste Management	5 926 690	5 997 880	71 190	-1.19%
Other				
Airport	(1)	-	1	-100.00%
Total Revenue	99 246 869	87 449 800	(11 797 069)	13.49%
Expenditure - Standard				
Governance and Administration				
Executive and council	13 676 264	12 161 880	(1 514 384)	12.45%
Budget and Treasury Office	12 191 309	9 676 650	(2 514 659)	25.99%
Corporate Services	11 241 546	6 912 090	(4 329 456)	62.64%
Community and Public Safety				
Community and Social Services	10 506 625	10 073 980	(432 645)	4.29%
Sport and Recreation	166 526	783 780	617 254	-78.75%
Public Safety	1 923 409	1 708 900	(214 509)	12.55%
Economic and Environmental Services				
Road Transport	3 944	25 000	21 056	-84.22%
Trading Services				
Electricity	26 318 615	23 206 620	(3 111 995)	13.41%
Water	7 995 683	6 624 310	(1 371 373)	20.70%
Waste Water Management	6 057 743	4 321 080	(1 736 663)	40.19%
Waste Management	3 780 442	3 220 890	(559 552)	17.37%
Other				
Airport	(1)	-	1	-100.00%
Total Expenditure	94 200 317	78 715 180	(15 485 137)	19.67%
Surplus/(Deficit) for the year	5 046 551	8 734 620	3 688 069	-42.22%

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
40.3 Capital expenditure by vote				
Expenditure - Standard				
Governance and Administration				
Executive and council	11 119	10 920	(199)	1.82%
Budget and Treasury Office	28 112	250 000	221 888	-88.76%
Corporate Services	66 086	333 200	267 114	-80.17%
Community and Public Safety		-		
Community and Social Services	10 800	-	(10 800)	-100.00%
Sport and Recreation	238 173	250 000	11 827	-4.73%
Public Safety	7 705	-	(7 705)	-100.00%
Housing	-	-	-	0.00%
Health	-	-	-	0.00%
Economic and Environmental Services		-		
Planning and Development	-	-	-	0.00%
Road Transport	5 017 125	5 274 000	256 875	-4.87%
Environmental Protection	-	-	-	0.00%
Trading Services		-		
Electricity	5 334 346	5 015 417	(318 929)	6.36%
Water	80 000	10 000	(70 000)	700.00%
Waste Water Management	673 185	-	(673 185)	-100.00%
Waste Management	-	-	-	0.00%
Other		-		
Airport	-	-	-	0.00%
	-	-	-	-
Total Expenditure	11 466 651	11 143 537	(323 114)	(0.03)

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

41.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	19 614 967	-
Unauthorised expenditure current year - capital	1 080 818	6 121 505
Unauthorised expenditure current year - operating	15 785 234	13 493 462
Unauthorised expenditure awaiting authorisation	36 481 019	19 614 967

Unauthorised expenditure on operating votes is mainly due to provisional amounts recognised for depreciation and amortisation

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

41.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	3 028 737	2 475 979
Fruitless and wasteful expenditure current year	852 541	552 758
Fruitless and wasteful expenditure awaiting further action	3 881 278	3 028 737

Fruitless and wasteful expenditure consists of:

Fruitless and Wasteful Expenditure - Finance Cost on ABSA Loan	1 175 518	1 175 518
A claim arose from the appointment of Tuiniqua Consulting Engineers for the design	301 575	301 575
Fruitless and Wasteful Expenditure - Finance Cost and Penalties on VAT, PAYE and UIF	1 805 201	1 444 665
Expenses for SCOPA investigations	19 129	19 129
Interest on late payment of creditors	361 127	87 850
Interest on Compensation Fund	218 728	-
	3 881 278	3 028 737

Incident	Disciplinary steps/criminal proceedings
Interest and penalties on SARS payments	Under investigation
Interest on late payment of creditors	Under investigation

	2012 R	2011 R
41.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	-	-
Irregular expenditure current year	100 000	-
Irregular expenditure awaiting further action	100 000	-

Incident	Disciplinary steps/criminal proceedings
Award made to person in service of state	Under investigation

41.4 Material Losses**Water distribution losses**

Due to lack of information it was not possible to determine the water distribution losses

Electricity distribution losses

- Units purchased (Kwh)	31 158 112	38 370 276
- Units lost during distribution (Kwh)	5 707 292	7 456 255
- Percentage lost during distribution	18.32%	19.43%
Distribution loss (Rand Value)	3 810 203	3 467 285

41.5 Supply chain deviations

Emergency	401 598	248 708
Sole supplier	1 085 649	420 567
Impractical to follow procedures	12 580	942 489
Other	1 513 730	-
Total	3 013 557	1 611 764

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**42.1 Contributions to organised local government - [MFMA 125 (1)(c)] - SALGA CONTRIBUTIONS**

Opening balance	0	29 265
Council subscriptions	466 409	123 134
Amount paid - current year	-	(152 399)
Balance unpaid (included in creditors)	466 410	0

42.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	-	-
Audit fees	1 285 864	1 200 589
Amount paid - current year	(210 731)	1 200 589
Balance unpaid (included in creditors)	1 075 133	-

42.3 VAT - [MFMA 125 (1)(c)]

Opening balance	544 103	517 370
VAT refunds claimed from SARS	1 208 010	1 721 721
VAT due to SARS	(418 387)	(560 294)
Paid	673 896	668 874
Received	(1 631 034)	(1 750 775)
Penalties and interest	(60 839)	(52 792)
Closing balance - Receivable	315 750	544 103
Vat in suspense due to cash basis of accounting		
Input VAT	(6 050 875)	(821 528)
Output VAT	4 834 726	573 745
Receivable	(1 216 149)	(247 783)

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

42.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]

Opening balance	2 670 481	2 354 896
Current year payroll deductions and Council Contributions	4 104 199	3 692 593
Amount paid - current year	(4 114 064)	(3 377 008)
Balance unpaid (included in creditors)	2 660 616	2 670 481

42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening balance	17 984	302 270
Current year payroll deductions and Council Contributions	5 488 022	5 128 901
Amount paid - current year	(5 486 492)	(5 413 186)
Balance unpaid (included in creditors)	19 514	17 984

2012
R2011
R**42.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2012:

	Outstanding more than 90 days	Outstanding more than 90 days
Councillor ML Claasen	-	5 564
Total Councillor Arrear Consumer Accounts	-	5 564

42.7 Other non-compliance (MFMA 125(2)(e))

Section of MFMA	Short Description of Requirement	Measure of compliance	Compliance	Comment or reasons for non compliance
Sect 52	a) must provide general political guidance over the fiscal and financial affairs of the municipality; b) may monitor and oversee the exercise of responsibilities of the accounting officer and the chief financial officer c) must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget; d) must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality; e) must exercise the other powers and perform the other duties assigned to the mayor in terms of this Act or delegated by the council to the mayor.	Did the mayor comply with the requirements?	No	Kannaland did not comply with section 52 of the MFMA for the first 3 quarters of the 2011/12 financial year. Corrective measures were taken and this particular report was submitted for the 4th quarter. Lack of capacity within the financial department stays a problem. Not enough personnel in the budget and treasury office.

Sect 53

<p>a) provide general political guidance over the budget process and the priorities that must guide the preparation of a budget;</p> <p>b) co-ordinate the annual revision of the IDP and the preparation of the annual budget</p> <p>c) take all reasonable steps to ensure</p> <p>i) that the municipality approves its annual budget before the start of the budget year;</p> <p>ii) that the municipality's SDBIP is approved by the mayor within 28 days after the approval of the budget; and</p> <p>iii) that the annual performance agreements for the municipal manager and all senior managers comply with requirements</p> <p>2) The mayor must promptly report to council and the MEC for finance any delay in a (i)-(iii).</p> <p>3) a) the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the SDBIP, are made public 14 days after the approval of the SDBIP b) that the performance agreements of officials as may be prescribed, are made public 14 days after the approval of the municipality's SDBIP. Performance agreements must be submitted council and the MEC for local government</p>	<p>Did the mayor comply with the requirements</p> <p>No</p>	<p>Due to lack of capacity the SDBIP function was outsourced and vendor was appointed. Process was disrupted by changes in Senior Management. CFO and Accounting officer were appointed in September and October respectively.</p>
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42.8 Other non-compliance (MFMA 125(2)(e))

Section of MFMA	Short Description of Requirement	Measure of compliance	Compliance	Comment or reasons for non compliance
Sect 54	<p>1) On receipt of report terms of section 71 or 72, the mayor must-</p> <p>a) consider the statement or report; b) check whether the municipality's approved budget is implemented in accordance with the SDBIP</p> <p>c) consider and, if necessary, make any revisions to the SDBIP,</p> <p>d) issue any appropriate instructions to the accounting officer to ensure compliance with SDBIP</p> <p>e) identify any financial problems facing the municipality</p> <p>f) in the case of a section 72 report, submit the report to the council by 31 January of each year.</p> <p>2) If the municipality faces any serious financial problems, the mayor must-</p> <p>a) promptly respond to and initiate any remedial or corrective steps proposed by the accounting officer to deal with such problems</p> <p>b) alert the council and the MEC for local government in the province to those problems.</p> <p>3) The mayor must ensure that any revisions of the service delivery and budget implementation plan are made public promptly.</p>	Did the mayor comply with the requirements?	No	All section 71's and section 72 reports were submitted to National and Provincial Treasury. SDBIP and delay in the appointment in Senior Management let to the fact that all reports were not submitted to council.
Sect 62 (1) (a)	The resources of the municipality were used effectively, efficiently and economically	Were the resources used effectively?	No	Lack of resources
Sect 62 (1) (c) (i)	Financial management and internal controls	Was controls in place?	No	Corrective measures takes time and even though steps were taken not
Sect 62 (1) (c) (ii)	Internal audit operating in accordance with any prescribed norms and standards	Did internal audit comply?	No	Internal auditors were appointed but was only an effective function nearing the end of the period under review
Sect 62 (1) (e)	Accounting officer to prevent irregular and fruitless and wasteful expenditure.	Did the Accounting officer implement preventative measures ?	No	Fire in the SCM during August 2011 will inevitably lead to irregular expenditure due to lack of supporting documents
Sec 63	Accounting officer to ensure the safeguarding and maintenance of assets and liabilities.	Did the Accounting officer comply?	No	Not sufficient provision for R & M. Currently financial situation has a negative influence
Sec 65 (2) (e)	Accounting officer to ensure the implementation of effective system of expenditure control that ensure that all money due is paid within 30 days of receiving the invoice.	Did the Accounting officer ensure the implementation of effective system?	No	Insufficient Funds
Sec 65 (2) (c)	Accounting officer to ensure the implementation of effective system of expenditure control that ensure a system of internal controls with regard to creditors and payments.	Did the Accounting officer ensure the implementation of effective system?	No	No creditors reconciliation. Accounting system is not in full use and training is necessary.
Sec 65 (2) (f)	Accounting officer to ensure the implementation of effective system of expenditure control that complies with tax, duty, pension, medical aid , audit fees and other statutory commitments.	Did the Accounting officer ensure the implementation of effective system?	No	Payment in arrears that date back to 2003 and not enough funds to resolve this issue at once.
Sec 65 (2) (j)	Accounting officer ensure that all accounts is reconciled on at least a monthly basis.	Did the Accounting officer ensure that all accounts were reconciled?	No	Lack of capacity within the creditors department

42.9 Other non-compliance (MFMA 125(2)(e))

Section of	Short Description of	Measure of compliance	Compliance	Comment or reasons for non compliance
Sec 66	Report on council regarding staff expenses	Was report submitted to council?	No	Late appointment of Snr management
Sec 69 (1) (a)	Decrease expenses if revenue is projected less than budget	Was expenses adjusted?	No	Disruptive late appointment of Snr Management
Sec 69 (3)	Submit draft SDBIP and performance agreements within 14 days to council	Was draft SDBIP submitted?	No	Disruptive late appointment of Snr Management
Sec 70	The Accounting officer must compile a report on: - Under collection of revenue - Shortfalls in Budgeted revenue - overspending of entities budget - delay in payments to any creditors - overdraft in any bank acc for period exceeding 21 days; and take steps to rectify the situation.	Did the Accounting officer compile a report?	No	Disruptive late appointment of Snr Management, lack of capacity and the late implementation of a SDBIP
Sec 83	The Accounting officer, Senior managers and Other financial officials must meet the prescribed financial management competency levels.	Was the compentency levels met?	No	Due to shortage of personnel we were forced to ask for an extension in this regard
Sect 126(1)	Submit AFS within the timeframe of two months after year end.	Were the AFS submitted within two months after year end?	No	Auditor General Report for 2010/2011 financial year was only received 27 August 2012

43 CAPITAL COMMITMENTS**Commitments in respect of capital expenditure:**

Approved and contracted for:

2012 R	2011 R
5 406 906	2 913 097

Total commitments consist out of the following:

Calitzdorp: Housing
Calitzdorp: Bulk Services
Demand side management

2 600 000	-
2 806 906	-
-	2 913 097
5 406 906	2 913 097

This expenditure will be financed from:

Government Grants

5 406 906	2 913 097
5 406 906	2 913 097

44 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

0.5% (2011 - 0.5%) Increase in interest rates	(70 853)	(106 861)
0.5% (2011 - 0.5%) Decrease in interest rates	70 853	106 861

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	10 122	13 691
Receivables from exchange transactions	4 911 427	3 810 877
Receivables from non-exchange transactions	2 802 696	1 013 640
Cash and Cash Equivalents	1 462 760	1 464 650
	<u>9 187 005</u>	<u>6 302 858</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	1 640 965	7 026 510	8 575 836	1 391 023
Capital repayments	486 709	2 672 916	5 745 351	1 316 607
Interest	1 154 256	4 353 594	2 830 485	74 416
Trade and Other Payables	22 020 730	-	-	-
Unspent conditional government grants and receipts	4 753 525	-	-	-
Provision for the Rahabilitation of Landfill Sites	2 889 390	2 436 409	-	-
Capital repayments	2 889 390	1 934 100	-	-
Interest	-	502 309	-	-
Cash and Cash Equivalents	856 424	-	-	-
	<u>32 161 034</u>	<u>9 462 919</u>	<u>8 575 836</u>	<u>1 391 023</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	1 806 933	13 950 148	8 575 836	3 001 543
Capital repayments	539 193	9 296 655	5 126 383	2 691 738
Interest	1 267 740	4 653 493	3 449 453	309 805
Trade and Other Payables	11 306 480	-	-	-
Unspent conditional government grants and receipts	5 171 543	-	-	-
Provision for the Rahabilitation of Landfill Sites	2 892 029	2 560 566	-	-
Capital repayments	2 892 029	1 935 866	-	-
Interest	-	624 699	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>21 176 985</u>	<u>16 510 714</u>	<u>8 575 836</u>	<u>3 001 543</u>

45

FINANCIAL INSTRUMENTS**2012
R****2011
R**

In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

45.1 Financial Assets**Classification****Investments**

Fixed Deposits	Financial instruments at amortised cost	3 564 511	3 124 341
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Long-term Receivables

Sport Club Loans	Financial instruments at amortised cost	6 597	10 166
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Receivables

Receivables from exchange transactions	Financial instruments at amortised cost	4 911 427	3 810 877
Receivables from non-exchange transactions	Financial instruments at amortised cost	2 802 696	1 013 640

Current Portion of Long-term Receivables

Sport Club Loans	Financial instruments at amortised cost	3 525	3 525
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Short-term Investment Deposits

Call Deposits	Financial instruments at amortised cost	1 459 460	59 250
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Bank Balances and Cash

Bank Balances	Financial instruments at amortised cost	-	1 402 250
Cash Floats and Advances	Financial instruments at amortised cost	3 300	3 150

12 751 516**9 427 199****SUMMARY OF FINANCIAL ASSETS**

Financial instruments at amortised cost	12 751 516	9 427 199
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At amortised cost**12 751 516****9 427 199**

FINANCIAL INSTRUMENTS (CONTINUE)		2012 R	2011 R
45.2	<u>Financial Liability</u>		
	<u>Classification</u>		
	Long-term Liabilities		
	Annuity Loans	10 144 531	17 511 798
	Capitalised Lease Liability	74 403	142 171
	Payables from exchange transactions		
	Trade creditors	15 301 513	5 432 225
	Retentions	305 384	374 670
	Deposits	120 527	88 135
	Other	5 316 632	4 412 279
	Current Portion of Long-term Liabilities		
	Annuity Loans	(471 425)	(416 201)
	Capitalised Lease Liability	(54 666)	(67 768)
		30 736 899	27 477 309
		2012 R	2011 R
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	30 736 899	27 477 309
46	EVENTS AFTER THE REPORTING DATE		
	The municipality has no events after reporting date during the financial year ended 2011/2012.		
47	IN-KIND DONATIONS AND ASSISTANCE		
	The municipality did not receive any in-kind donations or assistance during the year under review.		
48	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		
49	CONTINGENT LIABILITY		
	The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.+/- R10 Million		
	Furthermore the council is operating a sand mine without the prescribed permit to do so.		
	There is a claim of R125 000 against the municipality by Le Roux Engineering.		
	The municipality has a civil claim against them since 2010 for R500 000		
	A potential third party claim for the amount of R1 098 887 was received from the Western Cape High Court on 19 October 2011 for an incident that happened on 4 April 2011 to Ms' MA Smith in Calitzdorp.		

50 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

50.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 16 to the Annual Financial Statements.

50.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.

50.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

None

51 AWARDS TO PERSONS IN THE SERVICE OF THE STATE**51.1 Awards made to persons in the service of the state**

Outeniqua Leadership Institute	Amount of award	100 000
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One of the directors of the company is in employ of the state

51.2 Awards made to close family members of persons in the service of the state

RSK & Associates	Amount of award	222 787
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One of the directors of the company spouse is in the service of the state

51.3 Awards made persons that were in the service of the state

RR Links	Nxele Enterprises	Amount of award	729 736
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Mr R R Links was employed at Bitou Municipality

52 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The municipality does not have enough cash reserves to fund working capital requirements

Other Indicators

Possible outflow of resources due the contingent liability disclosed in note 49

**APPENDIX A - Unaudited
KANNALAND MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

EXTERNAL LOANS	Rate	Redeemable	Balance at 30 JUNE 2011	Correction	Balance at 30 JUNE 2011 Restated	Redeemed written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS							
DBSA:Consolidated Loans	12.50%	30/04/2023	10 559 341	-	10 559 341	414 810	10 144 531
DBSA:Consolidated Loans	0.00%		6 952 457	-	6 952 457	6 952 457	0
Total Annuity Loans			17 511 798	-	17 511 798	7 367 267	10 144 531
LEASE LIABILITY							
Finance Lease - NRB			-	-	-	-	-
Finance Lease - Technofin	11.00%	31/10/2013	142 171	-	142 171	67 768	74 403
Finance Lease - Nashua George			-	-	-	-	-
Total Lease Liabilities			142 171	-	142 171	67 768	74 403
TOTAL EXTERNAL LOANS			17 653 969	-	17 653 969	7 435 035	10 218 934

APPENDIX B - Unaudited
KANNALAND MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2011	Correction of error Note 35	Balance 1 JULY 2011	Grants Received	Write Offs/ Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT on Grants Recognised	Balance 30 JUNE 2012	Unspent 30 JUNE 2012 (Creditor)	Unpaid 30 JUNE 2012 (Debtor)
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R		R	R	R	R	R	R	R	R	R
National Government Grants											
Equitable Share	-	-	-	16 840 000	-	16 840 000	-	-	-	-	-
Local Government Financial Management Grant	8 727	-	8 727	1 250 000	-	1 273 191	-	-	(14 464)	-	14 464
DME Side Demand Management Meters	2 842 837	-	2 842 837	-	-	73 252	159 545	32 591	2 577 449	2 577 449	-
National Integrated Electrification Grant (CZD)	-	-	-	2 190 000	-	2 212 102	-	-	(22 102)	-	22 102
Municipal Infrastructure Grant	(699 262)	-	(699 262)	9 494 000	-	583 765	8 489 529	-	(278 556)	-	278 556
Municipal Systems Improvement Grant	(2 802)	-	(2 802)	1 720 000	-	1 994 427	5 613	-	(282 842)	-	282 842
DBSA Recovery Plan	643 899	-	643 899	-	-	1 468 774	-	-	(824 875)	-	824 875
EPWP Grant	-	-	-	370 000	-	370 000	-	-	-	-	-
Total National Government Grants	2 793 399	-	2 793 399	31 864 000	-	24 815 511	8 654 687	32 591	1 154 610	2 577 449	1 422 839
Provincial Government Grants											
Project Library	5 109	-	5 109	189 000	-	214 292	-	-	(20 183)	-	20 183
Zoar Library	106 522	-	106 522	-	-	-	77 543	10 856	18 122	18 122	-
Land Use Planning Advertising Cost	900	-	900	-	-	-	-	-	900	900	-
Taxi Rank	306 463	-	306 463	-	-	-	-	-	306 463	306 463	-
Flood Damage	447 890	-	447 890	-	-	-	-	-	447 890	447 890	-
CDW grant	357 137	(357 137)	-	156 000	-	149 077	-	944	5 979	5 979	-
Nissanville Paving	-	-	-	600 000	-	-	447 378	1 263	151 359	151 359	-
Calitzdorp Housing	-	-	-	6 984 435	-	-	6 984 435	-	-	-	-
Calitzdorp Housing ASLA	2 087	-	2 087	-	-	-	-	-	2 087	2 087	-
Upgrading Sports Facilities Calitzdorp	250 000	-	250 000	-	-	-	-	-	250 000	250 000	-
SDBIP Grant	-	-	-	100 000	-	108 176	-	-	(8 176)	-	8 176
Department of Water Affairs	-	-	-	550 000	-	-	129 842	18 178	401 980	401 980	-
Swimming Pool Calitzdorp	-	-	-	-	-	-	-	-	-	-	-
Swimming Pool Ladismith	-	-	-	-	-	-	-	-	-	-	-
Total Provincial Government Grants	1 476 108	(357 137)	1 118 971	8 579 435	-	471 545	7 639 199	31 241	1 556 421	1 584 780	28 359
District Municipality Grants											
Eden District Municipality	-	-	-	-	-	-	-	-	-	-	-
Eden District Municipality Water Supply	-	-	-	-	-	-	-	-	-	-	-
Eden District Municipality Electricity	(87 850)	87 850	-	-	-	-	-	-	-	-	-
Ladismith Water Project	293 085	-	293 085	-	-	138 695	-	2 118	152 272	152 272	-
Total District Municipality Grants	205 235	87 850	293 085	-	-	138 695	-	2 118	152 272	152 272	-
Other Grant Providers											
Drought relief	203 172	-	203 172	-	-	-	-	-	203 172	203 172	-
MSP	200	-	200	-	-	-	-	-	200	200	-
Greening Ladismith	629	-	629	-	-	-	-	-	629	629	-
Greening Zoar	20 556	-	20 556	-	-	-	-	-	20 556	20 556	-
Water Investigation Van Wyksdorp	10 703	-	10 703	-	-	-	-	-	10 703	10 703	-
LED Grant	-	-	-	400 000	-	225 000	-	-	175 000	175 000	-
Umsobomwu Project	28 764	-	28 764	-	-	-	-	-	28 764	28 764	-
Total Other Grant Providers	264 024	-	264 024	400 000	-	225 000	-	-	439 024	439 024	-
Total	4 738 766	(269 287)	4 469 479	40 843 435	-	25 650 751	16 293 886	65 950	3 302 327	4 753 525	1 451 198

**APPENDIX B - Unaudited
KANNALAND MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL VOTES CLASSIFICATION**

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
6 302 628	(5 963 534)	339 094	<u>EXECUTIVE MAYOR & COUNCIL</u> Council General Administration	11 601 556	(8 691 038)	2 910 518
68 621	(3 257 250)	(3 188 629)	<u>MUNICIPAL MANAGER</u> Office Of The Municipal Manager	-	-	-
24 531	(4 455 938)	(4 431 407)	<u>CORPORATE SERVICES</u> Manager: Corporate Services	7 829 007	(5 323 440)	2 505 567
84 792	(84 792)	-	Human Resource Management	181 072	(6 424 426)	(6 243 354)
12 804 726	(2 551 338)	10 253 388	Municipal Property Management	-	-	-
				17 558 269	(4 817 120)	12 741 149
1 803 518	(8 972 249)	(7 168 731)	<u>FINANCIAL SERVICES</u> Manager: Financial Services			
				1 689 325	(12 191 309)	(10 501 984)
471 276	(1 490 133)	(1 018 857)	<u>COMMUNITY SERVICES</u> Manager: Community Development			
-	-	-	Environmental Health Services	189 672	(1 197 857)	(1 008 185)
177 299	(1 045 323)	(868 024)	Libraries & Information Serv	-	-	-
33 825	(52 565)	(18 740)	Cemeteries	1 254 815	(1 115 090)	139 725
15 592	(240 407)	(224 815)	Sports Facilities	26 397	(44 230)	(17 833)
5 557 039	(3 319 141)	2 237 898	Refuse Rem & Waste Management	16 513	(166 526)	(150 013)
2 390	(6 358 834)	(6 356 444)	Other Community	5 926 690	(3 780 442)	2 146 248
				1 842	(8 149 447)	(8 147 605)
2 374 115	(1 520 803)	853 312	<u>PUBLIC SAFETY</u> Traffic Services			
				1 691 531	(1 923 409)	(231 878)
312 643	(312 643)	-	<u>INFRASTRUCTURE,ENG & TECHNICAL</u> Roads			
6 599 329	(5 299 431)	1 299 898	Sewerage & Sanitation Services	-	(3 944)	(3 944)
				9 885 671	(6 057 743)	3 827 928
				-	-	-
				-	-	-
32 030 464	(25 869 150)	6 161 314	<u>TRADING SERVICES</u> Electrical Engineering Service			
6 877 884	(7 326 222)	(448 338)	Water Service	30 657 705	(26 318 615)	4 339 090
				10 736 808	(7 995 684)	2 741 124
				-	-	-
75 540 672	(78 119 753)	(2 579 081)	Sub Total	99 246 873	(94 200 320)	5 046 553
(1 177 397)	1 177 397	(0)	Interdepartemental charges	-	-	-
74 363 275	(76 942 356)	(2 579 081)	Total	99 246 873	(94 200 320)	5 046 553

APPENDIX C - Unaudited
KANNALAND MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
8 106 146	(17 847 431)	(9 741 285)	Executive & Council	13 290 882	(25 377 202)	(12 086 320)
12 914 049	(7 092 068)	5 821 981	Finance & Admin	17 739 341	(11 241 546)	6 497 795
684 790	(8 946 855)	(8 262 065)	Community & Social Services	1 472 727	(10 506 625)	(9 033 898)
68 621	(345 602)	(276 981)	Housing	7 013 009	(490 370)	6 522 639
15 592	(240 407)	(224 815)	Sport & Recreation	16 513	(166 526)	(150 013)
-	-	-	Environmental Protection	-	-	-
12 156 367	(8 618 572)	3 537 795	Waste Management	15 812 361	(9 838 185)	5 974 176
2 686 758	(1 833 446)	853 312	Road Transport	2 507 529	(2 265 567)	241 962
6 877 878	(7 326 221)	(448 343)	Water	10 736 802	(7 995 683)	2 741 119
32 030 470	(25 869 150)	6 161 320	Electricity	30 657 705	(26 318 615)	4 339 090
						-
75 540 671	(78 119 752)	(2 579 081)	Total	99 246 869	(94 200 319)	5 046 550